institutions. In fact, 90 percent of them are traded by the five biggest financial institutions. When people say you need these—banks need these—just a handful of banks trade most of these.

What is a naked credit default swap? It means someone is buying insurance against some other instrument that they have no interest in, except they want to make a wager. I have said before that I can't buy fire insurance on the house that the Presiding Officer owns in Colorado. Why? Because I don't have an insurable interest in that house. If I went to somebody and said: I would like to buy some insurance against fire for that house, they would say: You don't own that house, so I cannot possibly sell you that policy. Also, I cannot buy a life insurance policy against my colleague from Connecticut because I don't have an insurable interest either.

But I can go buy $100 million worth of insurance, right this second, on a bond issue that was issued by some company yesterday, even though I never, ever intend to own the bond, have no interest in the bond, and don't know much about the company. I just want to bet someone who will take the opposite side of the wager. I believe the bonds will not be repaid, and the counterparty says: No, you are wrong about that. I think that company will repay its bonds. So we make a friendly wager—kind of like one of those Saturday sports wagers. We bet. I am betting this person about the question of whether the bonds will default. It is called synthetic when it is not real or naked when it has no interest. So this would be a synthetic or a naked credit default swap.

It is a different story if I have an interest, where I actually bought those bonds—some company let the bonds and I bought them, so I am the investor in the bonds. But I want to make sure the default doesn't take me down with it, so I buy an insurance policy. That is a credit default swap that is covered. Naked means you have no interest, just a bet. Covered means it is an investment you made to try to hedge your risk on the default of the bonds.

Here is what is interesting. We expect, based on what we know to be the case, that about 80 percent of all credit default swaps are not covered or what are called naked swaps—80 percent. Some people say to us: Well, we can't get rid of these financial instruments. These are very important for normal hedging. That is absolutely absurd, total rubbish.

My amendment would say that at some point we have to ban naked credit default swaps. Mr. Pearlstein, who writes for the Washington Post, asked the question many months ago:

> Why should there be more insurance policies sold on a bond issue than there are bonds to be insured?

Why should you have 20 times more insurance policies than you do bonds? Because it is wagering, not investing.

I find myself fairly disappointed by what is happening. This is a moment of substantial consequence for our country. We came very close, they say, to a meltdown of our economy. Trillions of dollars were lost. I guess there was about $14 trillion or $15 trillion in lost value for the American people. Millions of people lost their jobs. Millions of people have lost their homes. By the way, at graduation time, when colleges all across the country are graduating these bright, young men and women who have now gotten their college diploma—they are out looking for work, and way too many of them cannot find a job because of what happened to this economy in recent years.

What happened? We created a casino economy. You didn't have to read the newspapers very much to understand what was going on. This unbelievable speculation, a bubble of speculation, occurred in virtually every single area, and there were new financial products on steroids—securitizing everything. Are you loaning somebody some money? Well, put it into a security, wrap it up and sell it to a hedge fund or an investment bank. Securitize everything. By the way, you can get some very bad stuff that is rated AAA. So sell it up. By the way, once you start selling things, you don't ever have to worry about whom you are issuing credit cards to or that you are wallpapering the room of people who don't have jobs with more credit cards. You don't have to do normal underwriting or sit across from somebody who wants to buy a house and look into their eyes and say: Tell us your income. How are you going to repay the loan if we loan you the money? You can put out liars' loans, no-doc loans. Don't document your income because we don't care. Don't pay any interest or principal now; we will put that on the back side. We will make the first 12 months of payments for you. If you have no credit or low credit, come to us—I will show you the advertisements that were on the radio, television, and newspapers: Slow credit, no credit, bad credit? We want to loan you money.

They said: Let's securitize it and we will ship it upstream and we will all make big profits and fees and we will create credit default swaps and CDOs and we will all have a great time. When the whole thing crashes down, "Wall Street" will have lost about $36 billion in 1 year and paid $17 billion in bonuses at the very same time.

Do you think this wasn't a carnival of greed? Of course it was. There are a number of things we ought to do and too many that we will not do in this legislation. Too big to fail ought to have meant to all of us that you are simply too big. By the way, those who were judged too big to fail and would cause a grave risk to this entire economy if that firm should fail, they have now become much larger by the actions of the Federal Government arranging marriages of companies that weren't making it. So the too-big-to-fail companies are actually much larger now, and the underlying legislation doesn't do a thing about too big to fail in terms of paring it away and deciding if you are too big to fail, you are too big and you must divest until you don't cause a grave risk to the entire economy.

In addition to the issue of too big to fail, there is the Glass-Steagall reconnection. My colleague has an amendment on that. There is this issue I am raising on naked credit default swaps. If we have decided we are not going to get rid of these financial curveballs—financial instruments on steroids that took this country for a huge ride and stuck the American people with trillions and trillions of dollars of loss and bad debt—if we don't do that, let's not crow about what we did because this is essential, in my judgment.

This is what I think happens, as is always the case when it comes to Wall Street versus the rest of us; it is let's pretend time. This is a case of whose side are you on? Are you going to try to see if you can shut the door and deal with those issues that helped cause this near collapse of our economy or are we just going to buff it up a little bit around the edges? I am trying to tighten this bill.

I have not been able to get this amendment up, except by offering it as a second-degree amendment. My understanding is, there will be a tabling motion. Those who decide they want to table it don't want to tighten this bill, don't want to take on Wall Street on these issues. They say: No, let's let Wall Street prance around and trade naked credit default swaps. They were up 8 percent in the fourth quarter of last year. You would think somebody would learn a lesson. They had a $700 billion bailout fund and so on, so you would think they would tone it down. No. In the fourth quarter of 2009, the use of credit default swaps was up 8 percent. If one wonders how much money is involved in all these things—I have spoken before about John Paulson, whose name came up recently with Goldman in the scandal that was the subject of a congressional hearing. In 2007, he was the highest income earner on Wall Street, earning $3.6 billion—one person. When he came home and his spouse said: Honey, how are we doing? If she wanted it by the month, he could say that this month we made $300 million. If she wanted it by the day, he could say: Pretty good. It is Saturday and I made $10 million—$10 million a day, $3.6 billion a year.

There was so much money involved in all these issues, and the reason there was so much was this unbelievable binge of speculation. We can pass financial reform, and we can call it whatever we want, but if we pass it and don't put a cork in this bottle, and we fail to deal with this issue, I will tell you, we will be back and we will find a way to have to confront, once again, the creation of these unbelievable speculative issues—naked credit default